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World Monetary Changes and U.S. Farm Exports

Bangladesh Imports To Double

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In this issue:

This week's cover:

The SS *Manhattan,* largest ship in the U.S. merchant marine (shown at Longview, Wash.), is now en route to Bangladesh with 70,000 tons of P.L. 480 wheat. Upon arrival in August, the 1,005-foot, 115,000-ton tanker will anchor near Chittagong to serve as a floating grain silo and relieve pressure on the port. See Bangladesh story, this page.

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Bangladesh Expects To Double Its Farm Imports Despite Near-Normal Crops

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Bangladesh's current need for farm imports is perhaps greater than it has ever been, and they are likely to reach an unprecedented level in 1972. These imports, mostly under various assistance programs, will probably include large quantities of rice, wheat, vegetable oils, cotton and cotton textiles, leaf tobacco and cigarettes, oilseeds, and tallow.

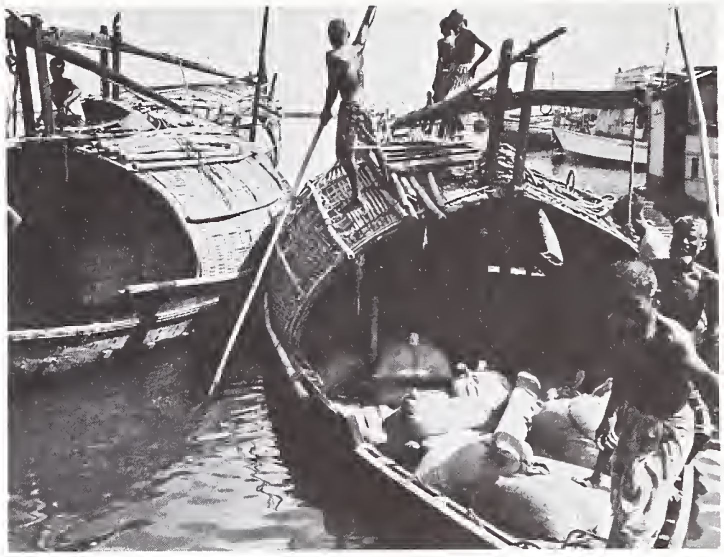
This newly independent nation—formerly East Pakistan—had experienced general increases in farm output between 1966 and 1969, which enabled it to keep agricultural imports at a relatively low level; but natural disasters in 1970 and civil war the following year halted further production growth and disrupted channels of distribution.

Thus, Bangladesh will probably import this year as much as $400 million worth of agricultural commodities—about double the value recorded in 1971. Imports will come from a number of nations, some of them major suppliers for the first time.

The United States is providing substantial quantities of commodities through international organizations and government-to-government agreements. To date, the United States has donated 550.000 tons of food aid under Title II, Public Law 480, valued at $76.5 million. Additional food aid is being programed for delivery during 1972. Since January, the United States has announced food and nonfood aid contributions totaling about $215 million, including $90 million under the bilateral aid agreement signed May 30.

The United States was the major

India and the United States replace West Pakistan as major sources of the farm products Bangladesh needs to feed its people and open its factories.



Small transport boats are now the major means of moving food from ports.

supplier of imported wheat and vegetable oils for East Pakistan in the past decade, and the second largest supplier of agricultural commodities after West Pakistan.

Bangladesh will have some 75 million people to feed by mid-1972—about 6 million more than it had in 1969 when its agricultural production reached a record level. About one-third of the people will depend on public distribution systems for their food this year, compared with 10 percent in the late 1960's. Subsistence farms are providing food for a smaller proportion of the population because of disruptions to normal village life; the number of people residing in urban areas has more than doubled in the last 2 years since many of the 10 million refugees repatriated from India after the war, plus 20 million others uprooted because of military activities, have not returned to the rural areas.

Production outlook. The farm-to-city shift has moved large numbers of people nearer to relief food supplies; but it has also decreased the ready availability of farm labor. Nonetheless, farmers in Bangladesh expect to harvest larger crops this year through use of more high-yielding varieties, fertilizer, and other inputs, most of which came from outside the country. Substantial quantities of these items have already been received from India, including 40,000 tons of nitrogenous fertilizer, and additional quantities will arrive from other nations in the next few months. Through the United Nations, many farmers have received free packages of improved varieties of vegetable seed from the United States and Europe.

This year's crops represent a substantial measure of recovery from the adversities of 1970 and 1971. Between 1966 and 1969, agricultural production had increased 24 percent because of greater use of inputs and multiple cropping. But bad weather in 1970—especially the November cyclone that destroyed an estimated 1 million tons of rice—caused a setback in crop production; and with the flareup of civil war in 1971, production fell even more.

Crops are expected to reach normal levels in 1972, however, and Bangladesh's anticipated output of almost 12 million tons of milled rice in 1972 will help to ease the food shortage. Also, substantial gains are expected this year in the production of potatoes and other vegetables, peanuts, and wheat, all crops which have been planted since December.

Still, per capita output of rice is likely to be about 10 percent below the 1969 level, and domestic need for all foods—including rice—will outrace production. People in Bangladesh will apparently receive nearly 10 percent fewer calories daily this year than the average of about 2,190 that they had in 1969. But, although pockets of acute hunger can be expected because of distribution problems, the availability of large stocks of grain in neighboring India and massive economic food aid from the United States and other countries should meet import requirements.

Preparing the land for rice planting. Till harvest, imports are badly needed.

Residents and refugees waiting for rations, Dacca. (Photo, courtesy FAO.)

Import plans in general. Bangladesh plans no significant imports from West Pakistan in 1972—a source of $162 million worth of agricultural commodities in 1970. Consequently, other suppliers will be needed to take the place of West Pakistan for large supplies of rice, cotton, rapeseed, and leaf tobacco. Large imports of cotton textiles and cigarettes—formerly received from West Pakistan—will have to come from other sources until larger supplies of domestically produced raw materials are available for local factories.

India is expected to replace West Pakistan as Bangladesh's major supplier of some agricultural commodities. Although unable to send as much rice, cotton, tobacco, or oilseeds as West Pakistan did, India will send more wheat.

The value of U.S. agricultural commodities to be delivered to Bangladesh during 1972 is likely to be almost double that of 1971, when shipments fell to $65 million because of port problems connected with the civil war. Only about 700,000 tons of U.S. wheat entered the major port of Chittagong that year, compared with 1 million in 1970. (Total U.S. agricultural exports to East Pakistan in 1970 had been about $75 million—twice as much as in 1966.)

Grain. Bangladesh currently plans to import about 2.3 million tons of grain in 1972, plus about 200,000 tons of protein-enriched food products. Wheat imports for 1972 are currently estimated at 1.4 million tons, compared with those of about 750,000 tons in 1971 and 1.1 million tons in 1970. Most of the country's wheat in recent years has been distributed in urban areas to ration-card holders. Wheat consumption quadrupled between 1960 and 1970, and further gains are anticipated in the next few years.

India will deliver about 650,000 tons of wheat to Bangladesh during 1972. Shipments of wheat to Bangladesh already scheduled this year by other suppliers include: The United States, 350,000 tons; the European Community, 128,000 tons; and Canada, 100,000 tons. Through the United Nations and various relief agencies Bangladesh will get 200,000 additional tons of wheat.

Bangladesh will need about 1 million tons of milled rice in 1972, compared with 650,000 tons in 1971. Open market prices have increased sharply and urban areas will depend heavily on rice imports until the autumn harvest. Imports were small during the first 3 months of 1972 because a large summer crop had just been harvested and relatively large stocks of rice from West Pakistan had been left in port areas when the war ended in December 1971.

Since April, the United States and India have been the major rice suppliers to Bangladesh. The United States has already provided 150,000 tons of rice on a grant basis through the United Nations, and India is sending 100,000 tons—also on a grant basis. In addition, it provided a free 2 weeks' ration to Bengalis departing from its refugee camps.

Bangladesh plans to import about 100,000 tons of rice from Burma this year, partly in exchange for jute products. The USSR has agreed to supply Bangladesh with 30,000 tons of rice, to be purchased from an Asian rice-exporting country.

The Government of Japan recently received a request from the Bangladesh Government for 200,000 tons of rice. Unable to supply that much rice immediately, Japan is sending 50,000 tons soon on a deferred-payment basis. In 1971, it sent 163,000 tons.

Arrivals of rice from West Pakistan declined from about 403,000 tons in 1970 to only 265,000 tons in 1971, and no direct imports are currently scheduled from that source. There are no indications that any rice will come from the People's Republic of China, a source for 97,000 tons in 1970 and 153,000 tons in 1971. But, through the United Nations, and other sources such as Thailand and various countries in Latin America and Europe, Bangladesh is likely to receive more than 326,000 tons.

Cotton. The cotton textile industry, second most important in Bangladesh after the export-oriented jute industry, depended heavily in the past on imports of raw cotton from West Pakistan. During 1968-70, factories annually used about $30 million worth of cotton, or some 60,000 tons, from this source. In addition, about 1,000 tons were imported from other sources.

Bangladesh has already arranged to purchase 13,000 tons of cotton from Brazil and about 10,000 tons from India this year. The USSR is also expected to provide considerable quantities of cotton.

In 1973, Bangladesh will need to import about 350,000 to 400,000 bales (some 80,000 tons) of cotton, part of it for rebuilding working stocks. (Most of the country's textile mills should be back in operation by then, and several new factories should also begin operations.) The Agency for International Development plans to donate sizable quantities of U.S. short-staple cotton. Also, a Commodity Credit Corporation credit line has been established under which approximately 40,000 to 50,000 bales (8,700 to 10,000 tons) could be purchased.

Besides raw cotton, about $17 million worth of cotton yarn and twist were imported annually in 1968-70, as well as $50 million worth of cotton textiles and clothing. Until Bangladesh's new textile factories are at work, large quan-

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Mexico May Not Need Oil Imports in 1972-73

Mexico's oilseed production, which should be sufficient to meet domestic has climbed sharply in recent years, oil needs in 1972-73. Imports of oilseeds (mostly cottonseed and soybeans) are estimated at 77,000 metric tons in 1971-72—only one-third of the previous year's level. Carryover stocks of oil are expected to increase this year, and further imports should not be necessary in 1972-73. Soybean meal imports, however, are expected to continue at the 1971-72 level for the next few years.

While oilseed production has risen, total domestic consumption of fats and oils in 1971-72 is estimated to be about the same or slightly lower than last year. Per capita consumption for food uses actually appears to have dropped sharply—from 10.8 kilos in 1970-71 to 9.9 kilos in 1971-72. Some of this apparent decline has been absorbed by gains in per capita consumption for industrial uses, which has gradually risen from 2.1 kilos in 1967-68 to 2.5 kilos in 1971-72.

Although production of protein meal is still short of demand—about 125,000 metric tons of soybean meal were imported in 1971-72—observers already report the first indications of a switch to production of oilseeds with a higher meal content.

Production of **cottonseed,** Mexico's most important oilseed, reached 621,000 metric tons in 1971-72, a 19-percent gain over the previous year's total. Production should continue to expand next year, stimulated by attractive world prices for cotton. Cotton production could reach 1.8 million bales in 1972-73, allowing cottonseed production of about 666,000 tons. Cottonseed is still favored by many Mexican feeders and feed manufacturers, but this preference has weakened in the past few years.

Safflowerseed, Mexico's second most important oilseed, surged to a record production of 435,000 tons in 1971-72, up 53 percent over the previous year; however, production is expected to decline next year as farmers switch to soybean production—a shift hastened by problems with both domestic and export markets for safflowerseed meal. In an effort to increase acceptability of safflowerseed meal, processors have removed more fiber, thus increasing protein content.

Soybean production in 1971-72 is estimated at 250,000 tons. Next year's predicted production is about 100,000 tons higher—yet another indicator of the growing importance of this crop.

Virtually all of Mexico's soybean production is on irrigated, double-cropped land in the States of Sonora and Sinaloa. Although soybean acreage in these areas can be expanded slightly, any significant increase in production would have to occur in other, nonirrigated, areas of the country.

One such area is in the State of Jalisco, where experiments have explored the feasibility of replacing traditional crops—corn and edible beans—with soybeans. While results of these experiments are generally encouraging, a major problem—convincing farmers to switch to an unfamiliar crop—could limit future production of soybeans.

Sesame production, at 160,000 tons, was only slightly higher in 1971-72 than in the preceding year. Most of the crop is planted and harvested by hand on small farm plots. Although demand for sesameseed is good, hand-harvesting of this crop is unlikely to change, and annual production is expected to stabilize at 150,000 tons.

Sunflowerseeds were produced commercially in Mexico for the first time in 1971-72. Production estimates, which have been scaled downward as the harvest progressed, are now set at 20,000 tons. Inexperienced harvesters caused losses, as much of the crop was

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SUPPLY AND DISTRIBUTION OF MEXICAN OILSEEDS, 1971-72 (PRELIMINARY)
[In metric tons]

Oilseed	Beginning stocks	Production	Imports	Domestic consumption	Exports	Ending stocks
Cottonseed	—	621,000	27,000	648,000	—	—
Safflower	—	435,000	—	375,000	37,000	13,000
Soybeans	—	250,000	[1] 50,000	300,000	—	—
Sesame	—	160,000	—	154,000	6,000	—
Sunflower	—	20,000	—	20,000	—	—
Rapeseed	—	6,006	—	6,006	—	—
Copra, coyol, and coquito	—	133,560	—	133,560	—	—
Linseed	—	43,472	—	43,472	—	—
Peanuts [2]	—	3,885	—	3,885	—	—
Corn [2]	—	58.300	—	58,300	—	—
Total	—	1,731,223	77,000	1,742,223	43,000	13,000

[1] Not including imported meal. [2] For crushing only.

SUPPLY AND DISTRIBUTION OF MEXICAN OILSEEDS, 1972-73 (ESTIMATED)
[In metric tons]

Oilseed	Beginning stocks	Production	Imports	Domestic consumption	Exports	Ending stocks
Cottonseed	—	666,000	—	666,000	—	—
Safflower	13,000	350,000	—	363,000	—	—
Soybeans	—	350,000	—	350,000	—	—
Sesame	—	145,000	—	138,000	7,000	—
Sunflower	—	70,000	—	70,000	—	—
Rapeseed	—	6,006	—	6,006	—	—
Copra, coyol, and coquito	—	133,560	—	133,560	—	—
Linseed	—	10,010	—	10,010	—	—
Peanuts [1]	—	3,885	—	3,885	—	—
Corn [1]	—	58,300	—	58,300	—	—
Total	13,000	1,792,761	—	1,798,761	7,000	—

[1] For crushing only.

The past half year—since the Smithsonian Agreement of December 18—has been a critical period for the international monetary system. These two articles survey the problems involved in currency reform and the trade implications of dollar devaluation. They summarize the actions of the United States trading partners and competitors in realining currencies relative to gold or the dollar.

Recent Monetary Changes Meet Interim Needs Of International Monetary System

By O. HALBERT GOOLSBY
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Since World War II, a number of problems have crept into the international monetary system. These problems have been developing for years but it became more apparent during 1970 and the first half of 1971 that a new set of principles was needed to govern world financial operations if growth was to continue in international commerce. President Nixon gave formal recognition to this problem on August 15 when he announced his New Economic Policy.

During the next 4 months the financial leaders of the world concluded that two sets of solutions were needed: Solutions that could be agreed upon fairly quickly and would meet the needs of the international monetary system for an interim period; and solutions to a number of complex and interrelated problems that would require some basic changes that might only be effected over a period of several years.

On December 18, 1971, an agreement among the "Group of Ten" leading industrial nations of the world—the United States, United Kingdom, Japan, Canada, Sweden, and the countries of the European Community (EC)—was announced. This agreement incorporated changes that would meet the current needs of the world's international monetary system. It has become known as the "Smithsonian Agreement" because it was reached after 2 days of discussion in one of the old castle-like buildings of the Smithsonian Institution in Washington, D.C.

Smithsonian Agreement. There were basically two aspects of the agreement —the devaluation of the dollar and the creation of a temporary arrangement.

The value of the dollar was reduced from 1/35 of an ounce of gold to 1/38 of an ounce—a change of 8.57 percent. This would not have devalued the dollar relative to other currencies except that the other nations in the Group of Ten had agreed not to decrease the value of their currencies relative to gold (or at least not to change relative to gold as much as the United States has changed). As part of this agreement, the United States on December 20 removed the 10 percent tariff surcharge instituted in August.

The creation of a temporary arrangement included the institution of wider margins and central rates. Members of the International Monetary Fund (IMF) were given the option of using either one or both of these. Wider margins permit currencies to fluctuate 2.25 percent above or below par values, or central rates, in exchange markets. Prior to the Smithsonian accord only 1 percent fluctuation was permitted under IMF rules. Central rates are stable or "fixed" rates that can be changed with less formality than is required to change a par value. A par value is changed only upon formal notification to, and approval by, the IMF.

Immediately upon completion of the Smithsonian Agreement, the IMF requested the other 110 members of the Fund to indicate their intentions regarding the level of their exchange rates, whether they would follow wider margins, and whether they would adopt central rates or continue with present rates. Within a few weeks all but a handful of the IMF members had indicated their intentions. A few currency changes took place several months prior to December 18, and these also are indicated as part of the general realinement resulting from the Smithsonian Agreement. Sixty-five nations, 20 developed nations and 45 less developed countries (LDC's), indicated they will permit their exchange rates to fluctuate in wider margins and 32 nations adopted central rates.[1]

The eight countries that appreciated against gold necessarily appreciated against the dollar by more than 8.57 percent. The 44 countries that did not change their relationship to gold appreciated against the dollar by exactly 8.57 percent since the dollar was adjusted downward relative to gold by this amount. The dollar did not devalue by the full 8.57 percent against the currency of 10 nations. These nations partially offset the dollar devaluation by devaluing their own currencies against gold somewhat less than the percentage decline of the dollar against gold.

Agricultural trade and currency realinement. Nearly two-thirds of U.S. agricultural exports went to the 62 nations whose currencies appreciated relative to the dollar. In terms of the currencies of these countries U.S. exports are cheaper and consequently they may import more from the United States. However, there are a number of other factors to be considered and these are discussed in the article on page 7.

Also, U.S. imports from these 62 nations will be higher priced if the direct consequences of currency realinement are as expected. Nearly two-fifths of U.S. agricultural imports come from these nations.

Forty-five LDC's plus Canada and Iceland have either devalued against

[1] For a listing of monetary actions by individual countries see O. Halbert Goolsby, "New Exchange Rates Apply to Agricultural Trade," ERS Foreign #342, reprint from *Foreign Agricultural Trade of the United States,* April, 1972.

gold to the same extent as did the dollar or they have permitted their currencies to continue floating in exchange markets. For these countries there were no currency realinements. If prices change for commodities bought from or sold to these countries, it will be the result of factors other than the direct effects of currency realinements. Nearly a third of U.S. farm exports went to these countries and nearly three-fifths of U.S. agricultural imports came from them.

A small portion of U.S. farm exports will be adversely affected by recent monetary events. In eight nations, currencies were devalued relative to gold more than the dollar was devalued. The effect was to increase the price of U.S. exports to them in terms of their currency. Also, imports from these nations will be cheaper.

Another way of viewing the extent of currency realinement, relative to U.S. agricultural trade, is to calculate the average change in foreign currency prices weighted by the value of U.S. agricultural trade with each country. Following this principle and using the value of trade in FY 1971 the overall decline in foreign currency prices for U.S. agricultural exports was 5.7 percent. Based on U.S. agricultural exports to developed nations the average decline was 8.7 percent.

It appears however that U.S. agricultural exports to the LDC's on a commercial basis will benefit little from currency realinements. There are a number of LDC's that are among primary U.S. commercial markets and for many of these the relationship of their currencies to the dollar did not change. This includes the Republic of China, Korea, Mexico, Thailand, and the Philippines. Furthermore there were 39 other smaller markets that did not revalue relative to the dollar. Israel and Yugoslavia depreciated their currencies rela-

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Almost Half of U.S. Farm Exports Will Benefit From Latest World Monetary Changes

By EDWARD KARPOFF
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The long-term outlook for U.S. agriculture was enhanced by the Smithsonian monetary agreement of December 18, 1971. This agreement revalued the world's leading currencies. About 45 percent of U.S. agricultural exports will benefit from these monetary changes. These benefits will mean increased exports, and higher dollar prices for some commodities presently in short supply.

The commodity groups which will gain most from the revaluation include soybeans and products, cotton, citrus, and livestock products. Commodities which will benefit least are grains. Most major importers of wheat, feedgrains, and rice have import systems which insulate domestic prices from world prices. Thus, price reductions in importing countries resulting from devaluation will not be passed on to their consumers.

It is anticipated that devaluation in some countries which are important competitors in international markets will somewhat offset the new competitive advantage of the United States. However, the net result likely will be increased use of the affected commodities, resulting in larger world markets.

In general, the increase in U.S. trade will be with the countries where currencies appreciated in relation to the dollar. Such countries accounted for over $4.7 billion of the total $7.8 billion agricultural exports from the United States in fiscal 1971. In countries where currencies did not appreciate significantly, gains for U.S. exports generally are not expected.

Even where currencies appreciated, however, the prospect for expanded trade does not extend across the board. In many of these countries, a variety of nontariff barriers (NTB's) block off the impact of lower prices.

The *minimum import price* is one of the most obvious. Unless world prices initially exceed the minimums specified by importing countries using this device, downward price adjustments are to no avail for market expansion purposes. The European Community (EC) applies variable levies to imports of cereals, dairy products, poultry and eggs, beef, and many other commodities. These are imposed to protect threshold prices, which are essentially minimum import prices tied to internal support prices. Similar systems apply in the United Kingdom and in some other countries.

Other NTB's which have similar discouraging effects include import quotas, licenses, currency conversion restrictions, and the buying and pricing policies of State trading agencies. State trading agencies may, for example, follow the practice of the Japanese Food Agency, which holds steady the resale price of wheat flour, despite any savings realized in procurement of the wheat.

An examination of the import policies of 18 important U.S. trading partners, which appreciated their currencies vis-a-vis the United States, indicates that one-third of U.S. agricultural trade to these countries is hampered by NTB's. In fiscal 1971, U.S. agricultural exports

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Recent Monetary Changes Meet Interim Needs

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tive to the dollar, thus causing the dollar to cost more, not less, in these two nations. Using commercial exports to LDC's as a basis of weighting, currency realinements meant an average increase of 0.4 percent, in terms of foreign currencies, not a price decline as was otherwise generally the case.

The average increase in the price of agricultural imports will be 2.6 percent if the normal effects of currency realinement are permitted. The increase in prices of these commodities from developed nations was, on the average, 7.4 percent and for imports from LDC's there was practically no change.

Future monetary problems. The Smithsonian Agreement settled certain pressing monetary problems and thereby gave the world's financial leaders time to resolve a number of other problems. Not only are the unresolved problems complex, they are tightly interrelated and cannot be considered in isolation. The problems nevertheless can be summed up as follows:

- An agreement must be reached as to what should be the level and composition of international liquidity. How much should it increase each year and what will be the role of gold, dollars, and Special Drawing Rights (SDR's) in the new world monetary system?
- Central Banks in Europe and Japan now have huge dollar holdings which cannot be converted into gold or other forms of international liquidity. How can these Banks reduce their holdings to a level they deem appropriate?
- International short-term capital flows have had a destabilizing influence on the economies of several nations. However, they also play an important role in financing world trade. How can these flows be controlled without destroying the beneficial effects of such movements?
- It has become very difficult for nations to follow expansionary economic policies and still maintain stable exchange rates. A considerable body of opinion today holds that exchange rates should be more flexible so as not to impede domestic policies. But how flexible should these rates be?
- Presently countries with balance of payments surpluses can maintain these surpluses year after year. But how can nations with deficits correct their situations if these surpluses continue?

These problems will be difficult to solve and it will take time before a new and viable international monetary system can be created. But the need for such a system already has prompted U.S. Government officials to meet frequently with their foreign counterparts on these matters.

MONETARY MOVES FOLLOWING SMITHSONIAN AGREEMENT AND U.S. FARM TRADE IMPACT

Monetary action	Countries	U.S. farm exports 1970-71: Value	U.S. farm exports 1970-71: Percent of total	U.S. farm imports 1970-71: Value	U.S. farm imports 1970-71: Percent of total
IMF members: [1]	*Number*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*
Appreciated relative to the dollar	62	4,738.9	64.2	2,141.3	38.2
Appreciated against gold	8	2,637.3	35.7	385.3	6.9
No change against gold	44	1,213.1	16.4	1,263.5	22.5
Depreciated against gold	10	888.5	12.0	492.5	8.8
No official change relative to the dollar, or floating [2]	47	2,376.7	32.2	3,316.3	59.2
Depreciated relative to the dollar	8	270.6	3.7	146.7	2.7
Total	117	7,386.2	100.0	5,604.3	100.0
Other nations	—	372.8	—	224.6	—
Total	—	7,759.0	—	5,828.9	—

[1] Plus Switzerland. [2] Includes Canada.

U.S. Farm Exports Benefit From Monetary Changes

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totaling $1.4 billion to these countries were impaired, while $2.7 billion in exports were free to benefit.

Among the countries reviewed, NTB's are most widespread for cereals, tobacco, fruits and vegetables, and dairy and poultry products. The products least affected are cotton (not grown in most of these countries) and soybeans (likewise not widely grown, although competitive with other oilseeds).

Other countries appreciating their currencies—which in fiscal 1971 bought $600 million of agricultural commodities from the United States—also will find the United States a more favorable supplier. Increased purchases on their part will augment the $3.4 billion not hampered by NTB's among the 18 review countries. Thus a substantial chunk of trade is susceptible to increase from monetary revaluations. While the trade expansion that is expected over the next decade will have varied stimuli, lower cost in foreign currency for U.S. products obviously will be one of them.

New Zealand's Dairy Exports Are Expected To Reach Record Level in 1971-72

New Zealand's dairy industry export exchange earnings will reach a record US$434 million in 1971-72. The New Zealand Dairy Board expects a surplus of nearly $84 million in the butter and cheese trading account, while exchange earnings from skim milk powder and casein will increase by about $72 million over last year to $172 million.

A record 40 percent of the industry's overseas income this season is expected to come from products other than butter and cheese. These include milkfat, cheeses other than Cheddar, milk powders, and types of casein and protein, products. Fifteen years ago 92 percent of New Zealand's dairy trade was in butter and Cheddar cheese.

Uncertainty hangs over the dairy industry as a result of the British entry into the European Community, and the Dairy Board has been working hard to develop markets in Southeast Asia, Japan, and South America.

This year markets other than Britain will take an estimated 45 percent of New Zealand's dairy exports.

German Consumers Discover Sweet Corn—Both Canned and Fresh

SWEET CORN: WEST GERMAN IMPORTS 1969-71

Country of origin	1961 [1] Quantity	1961 [1] Market share	1970 Quantity	1970 Market share	Jan.-Oct. 1970	Jan.-Oct. 1971
	Metric tons	*Percent*	*Metric tons*	*Percent*	*Metric tons*	*Metric tons*
All sources—total	897.5	—	1,880.2	—	1,464.3	2,324.7
U.S.	297.6	33.2	443.8	23.6	372.0	397.8
Turkey	100.9	11.2	351.2	18.7	243.1	477.7
Canada	96.9	10.8	169.6	9.0	125.7	293.3
Netherlands	108.2	12.1	162.7	8.7	90.3	280.0
France	77.7	8.7	146.6	7.8	104.9	253.4
Taiwan	—	—	200.9	10.7	194.1	142.6
Others	216.2	24.0	405.4	21.6	334.2	479.9

[1] First year that sweet corn (kernels and on the cob, canned, and frozen) is identifiable in official import statistics.

A cliché—Europeans consider corn fit only for animals—can now be laid to rest. Sweet corn now has a market in West Germany. Long a staple on American tables, sweet corn—both canned and on the cob—has slowly entered the West German market and has just recently passed the testing stage.

Sales are off and running. West Germany's sweet corn imports doubled between 1969 and 1970, and shot up another 65 percent in 1971. Unfortunately, however, the U.S. share of the market slipped from 33 percent in 1969 to less than an estimated 20 percent in 1971. (Imports and sources, as well as market shares, are shown in the accompanying table.)

Since sweet corn is becoming more popular, more West German importers are entering the market—thus opening new marketing opportunities for U.S. suppliers; on the other hand, the growing market has also enticed several international canners to plan production of French sweet corn soon.

Frozen corn-on-the-cob seems to be especially popular. A U.S.-sponsored booth at Berlin's Green Week sold 23,000 ears (for about 30 U.S. cents each) during the 10 days of the January fair: in other words, about 5 percent of the people attending the fair bought an ear of U.S. corn-on-the-cob. In addition, a Hungarian exhibit also offered this ready-to-eat food. Although imports of corn-on-the-cob are not specifically identified in official German statistics, it is becoming more common in retail store freezers.

Although the potential for sweet corn sales appear good, one obstacle confronts U.S. exporters—the German Consumer Packaging Ordinance, which precludes retail sales of canned and bottled food items unless they are packed in containers using the metric system. Fortunately, some U.S. can sizes are excepted, but those not excepted will require double pricing (price per can and per kilogram) which is considered prohibitive in retail circles.

—Based on a report by
Roger E. Neetz
Asst. U.S. Agricultural Attaché, Bonn

Cheese Import Controls Alined With Dairy Support Program

A Presidential Proclamation issued June 3 has strengthened import controls on three important tariff classifications of cheese, known collectively in the trade as "pricebreak" cheese. The price indicator which determines quota status has been alined with the support program for dairy products and new quotas have been established.

Under the terms of the Proclamation, the import pricebreak has been changed from a fixed figure of 47 cents per pound, f.o.b. country of origin, to a flexible figure approximately 7 cents above the Commodity Credit Corporation purchase price for cheese. Since the CCC price is currently 54.75 cents per pound, the new pricebreak will initially be 62 cents per pound. The cheeses concerned are Swiss or Emmenthaler; Gruyere-process; and the miscellaneous tariff category of "Other" cheese.

At the same time, new quotas have been established to bring trade in the 47-62 cents range under the control system. Formerly, only imports valued below 47 cents per pound were subject to quota. For the rest of 1972, except for "Other" cheese with 0.5 percent or less butterfat ("low-fat cheese"), there will be separate quotas for the two price brackets concerned and imports under the new quotas will be on a first-come, first-served basis. License allocations have already been made for the old quotas. For "low-fat cheese," the new pricebreak level involves no change in the quota, which remains 8,901,000 pounds.

Beginning January 1, 1973, the old and new quotas will be combined into annual amounts, with import licensing, as follows: Emmenthaler, 20,420,000 pounds, Gruyere-process, 11,242,000 pounds; and "Other" cheese (over 0.5 percent butterfat), 40,730,000 pounds.

Quotas are allocated to countries of origin according to imports during a representative period. For old quotas, the base period was 1967. For new amounts (47 up to 62 cents per pound), the quotas equal imports in 1970. New overall annual quotas effective next year are combinations of these figures.

In the future, the import pricebreak will change as the CCC cheese purchase price changes; quota amounts will remain unchanged. The CCC price, along with other purchase prices under the USDA support program for manufacturing milk, is usually announced shortly before the milk marketing year beginning April 1. In some years the support level is changed while in others, as for this year, the levels of the preceding year are continued. Also, support prices may be changed in the course of the marketing year.

In the future, notice of changes in the pricebreak will be published in the Federal Register when they are announced.

Promulgation of the quotas completes an action initiated last year under the authority of Section 22 of the Agricultural Adjustment Act, as amended. Section 22 provides for limitations on imports, following an investigation by the Tariff Commission and a Presidential determination, of items found to be interfering or likely to interfere with the price support program for milk.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	June 21	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.97	0	1.96
USSR SKS-14	(1)	(1)	1.89
Australian FAQ	(1)	(1)	1.78
U.S. No. 2 Dark Northern Spring:			
14 percent	1.86	0	1.95
15 percent	1.93	+1	2.00
U.S. No. 2 Hard Winter:			
13.5 percent	1.77	0	1.92
No. 3 Hard Amber Durum	1.82	−3	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.43	−2	1.76
Argentine Plate corn	1.71	−1	1.78
U.S. No. 2 sorghum	1.41	0	1.62
Argentine-Granifero sorghum	1.43	0	1.60
U.S. No. 3 Feed barley	1.19	−2	1.24
Soybeans:			
U.S. No. 2 Yellow	3.73	−8	3.49
EC import levies:			
Wheat [2]	[3] 1.99	−4	1.39
Corn [4]	[3] 1.30	−2	.63
Sorghum [4]	[3] 1.35	−2	.82

[1] Not quoted. [2] Durum has a separate levy. [3] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [4] Italian levies are 21 cents a bu. lower than those of other EC countries.

Note: Basis—30- to 60-day delivery.

British Decisions On Grain Marketing

Some basic decisions about U.K. entry into the European Community have been reached, while others remain subject to negotiation between the United Kingdom and the current members of the EC, according to the U.K. Ministry of Agriculture, Fisheries, and Food.

It was announced that the U.K. Home-Grown Cereals Authority will serve as executive agent for the Intervention Board for Agricultural Produce to be established in the United Kingdom. It will act on the Board's behalf in matters concerning denaturing, support buying, storage, and selling of grain, and will provide information about prices.

The Government also announced that intervention buying will be limited to 200 tons for wheat and 100 tons for barley.

Negotiations are underway in Brussels to settle such points as intervention prices, the location of intervention centers, compensatory amounts of cereals and processed products, and the amount of the denaturing premium.

The urgency in reaching decisions in these matters is underlined by the July 1 opening date of the 1972-73 U.K. grain marketing season. By opening day, it is normal in the United Kingdom for extensive forward trading to have been in operation.

USSR Spring Sowing Advancing Rapidly

Spring seeding in the USSR has progressed considerably faster in 1972 than last year. As of May 14, 234 million acres of spring crops had been sown, 33 million acres more than on the corresponding date in 1971. Beginning about mid-April, the tempo of sowing operations speeded up in most of the country. Soil temperatures rose and soil moisture reportedly was sufficient in most of the European USSR, the Urals, Kazakhstan, and the farming regions of Siberia.

The following table shows a comparison of 1971 and 1972 sowing progress for several selected crops:

Item	1972	Portion of planned area	1971	Portion of planned area
	Mil. acres	*Percent*	*Mil. acres*	*Percent*
Total spring crops [1]	234.3	64	201.4	61
Grains and pulses [1 2]	134.4	59	109.5	55
Sunflowerseed [3]	10.1	91	8.9	80
Sugar beets [4]	7.4	84	6.2	75
Cotton [4]	6.4	96	6.4	96

[1] As of May 14. [2] Excluding corn. [3] As of May 8. [4] As of May 1.

DAIRY AND POULTRY

Australia's Dairy Industry Stabilization Plan Renewed

The Minister for Primary Industry of Australia introduced legislation into Parliament on April 19 to extend the Dairying Industry Stabilization Scheme unchanged for a further 5 years. The current Plan, which is the fifth successive 5-year plan, is due to expire on June 30 of this year.

A new 5-year stabilization scheme was formulated by the industry and the Federal Government, which provides for a two-price quota scheme covering production for the domestic and export markets. This plan was unanimously endorsed by an Australia-wide meeting of dairy industry organization on November 1, 1971. Subsequently, the new scheme was considered by the State Ministers of Agriculture, as the actual allocation and control rests with the States. To date the States

have failed to reach agreement on the scheme, with Victoria particularly opposed to some aspects of the proposals.

The industry also has recommended to the Federal Government that the present Commonwealth bounty (subsidy) for export butter and cheese of US$48.6 million be continued for each year for the duration of the scheme. The Commonwealth has been reluctant to continue paying the amount which originally represented the Devaluation Compensation. In the general round of bargaining it appears that the Commonwealth is only prepared to give a guarantee in respect of the original $32 million, and determine each year the amount of additional financial assistance which should be given in the light of the export returns to the industry at that time.

As it will take some time for these differences to be resolved, the Commonwealth has simply extended the current scheme for a further 5 years to June 30, 1977, and provided a bounty of only $32 million. The Commonwealth also decided to continue the processed milk export bounty of $952,000 per annum unchanged for a further 5 years. When the production control dispute is settled, and when other points in the plan now under discussion such as the level of additional subsidies are accepted by all interested parties, amending legislation will be introduced.

Soviet Dairy Experts Visit the United States

Four Soviet dairy experts arrived in Washington, June 4 for a 3-week tour of U.S. dairy farms, breeding stations, and research centers.

The group is especially interested in new technology and in management techniques recently developed by U.S. dairymen.

Their itinerary includes visits to university research centers at California (Davis), Michigan State, and Cornell, as well as tours of dairy farms in Michigan, California, Illinois, New York, and Virginia.

The visit is part of the U.S.-Soviet exchange program which sponsors several visits by Soviet agricultural experts to this country each year.

COTTON

Peru's Pima Cotton Crops Hurt by Floods

Heavy rains and flooding during March and April 1972 have caused substantial losses for Peru's extra-long staple (ELS) cotton crop. Both 1971-72 and 1972-73 production totals will be affected.

Recent reports indicate that the floods have cut the 1971-72 crop of Pima cotton in the Chira Valley from about 38,000 bales (480 lb. net) to 20,000, and that of Cerro cotton in the Chiclayo area, from 15,000 to 10,000 bales. Including the 85,000 bales of Piura Valley Pima cotton harvested late in 1971, this means that Peru's production of extra-long staple cotton will only reach about 115,000 bales in 1971-72, compared with 148,000 in 1970-71—a decline of more than 20 percent.

Production of Tanguis (long staple cotton) was also damaged somewhat by the floods, but high cotton yields in areas not affected by floods helped to offset the damage. The 1971-72 Tanguis crop (harvest was begun in April) is now placed at 285,000 bales, compared with only 232,000 in 1970-71. The larger Tanguis crop is due mainly to an increase in acreage this season from 235,000 to 271,000 acres. Peru's total cotton crop for 1971-72 will be about 400,000 bales, up from 380,000 a year earlier.

The recent floods are also expected to affect production of ELS cotton in 1972-73. Pima cotton is usually planted between January and March and harvested from June through September. The March floods in the Piura Valley destroyed much of the Pima cotton which had been planted and also caused serious injury to pumps, canals, and other irrigation structures. A large portion of the flooded land is now being planted to sorghum and other crops. The 1972-73 Piura ELS crop is expected to fall to about 50,000 bales, compared to 85,000 this season.

FATS, OILS, AND OILSEEDS

Mexico Buys 44,000 Tons Of Soybean Meal

Mexico has purchased 44,000 metric tons of U.S. soybean meal, 49-50 percent protein. The tender, issued on April 26, specified 33,000 tons for Veracruz and 11,000 tons by rail to Nuevo Laredo. Shipments were expected to be made in May, June, and July.

U.S. exports of soybean meal to Mexico totaled only 13,000 short tons during October-March of the current marketing year compared with 40,000 tons in the same months last season.

LIVESTOCK AND MEAT PRODUCTS

Canadian 1971 Per Capita Meat Consumption Sets Record

Statistics Canada—a Canadian Government agency—reports that Canadians in 1971 consumed a per capita record total of red meats, 165 pounds, 6 pounds more than the previous year's. The increase was confined almost entirely to the consumption of pork products which rose by nearly 16 percent to about 66 pounds.

Domestic output of red meats in 1971, estimated at 3.5 billion pounds, rose by 6 percent for a new record. Pork accounted for the major share of the increase and showed a gain of 40 percent over production during the 5-year period of 1964-68.

Exports of Canadian red meats and offal totaled 259 million pounds (cold carcass weight) during 1971—an increase of 5.3 percent over the preceding year. Again, pork products contributed most of the increase in exports, rising by about one-third over 1970. Most of the gain in pork product exports was accounted for by shipments to countries other than the United States. Beef and veal exports declined during 1971.

Canadian cattle slaughter rose by 4 percent during the first 4 months of 1972 compared with the same period in 1971. The entire gain occurred in the Western Provinces. During the same 4-month period, Canadian pork supplies dropped by about 5 percent despite strengthening prices.

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FOREIGN AGRICULTURE

Bangladesh Doubles Farm Imports (Continued from page 4)

tities of textiles will have to be imported from India and some other Asian countries.

Tobacco. West Pakistan supplied Bengali cigarette factories with over 20,000 tons of leaf tobacco annually in the late 1960's. In addition, during that period the Bengalis received about $20 million worth of Pakistani cigarettes annually. Now that trade in tobacco and cigarettes with West Pakistan has stopped, new sources of supply must be found.

The Bangladesh Government has indicated that 18,000 tons of imported leaf tobacco will be needed to supply revitalized cigarette factories. India has already arranged to send about 4,000 tons this year.

Small quantities of U.S. flue-cured tobacco have been used in the past for blending in high-quality brands of cigarettes. Bangladesh might be able to use some U.S. tobacco in this way under Government-financed programs. However, most of the tobacco imports needed by Bangladesh in the future are likely to come from Asian sources, especially India and the Philippines.

Vegetable oils. Bangladesh uses about 180,000 tons of vegetable oils annually, including imports of over 100,000 tons. Each year local crushers produce about 65,000 tons, primarily from rapeseed. Prior to the war, rapeseed imports from West Pakistan had averaged about 33,000 tons annually, oil basis. About 43,000 tons of rapeseed were imported from Canada in 1971; and this country may be an important future supplier.

The United States is providing about 50,000 tons of vegetable oil to Bangladesh in mid-1972 through the United Nations. An additional 50,000 tons may be needed in 1972. India and Ceylon are expected to provide a portion of this as cooking oil. These supplies may help bring down prices for cooking oil in Bangladesh, currently high because of the serious shortage. Also, the Food Corporation of Bangladesh plans to provide oil supplies for fair-price shops at lower prices.

Other imports. Bangladesh is also likely to import more tallow as soap factories expand output. Australia and the United States may be major suppliers of imported tallow.

Imports of dairy products increased markedly in the last 4 years. Imports of powdered milk from the European Community and the United States will probably rise in 1972. Donations of butter and cheese from Europe for school lunch programs have increased this year. The United Nations Children's Fund (UNICEF) will provide protein fortified foods free to about 10 million school children.

Mexico's Oil Imports (Continued from page 5)

left standing in the field past the ideal harvesting date.

The Government is encouraging sunflowerseed production in the dry areas of the central plateau, where it offers an excellent alternative to corn and beans. Production for 1972-73 is uncertain, but could increase significantly, perhaps as high as 70,000 tons. If Government promotion continues, sunflowerseed could become one of the most important oilseeds produced in the country.

Other 1971-72 oilseed production:

- Linseed production, estimated at 43,472 tons, is up almost 10,000 tons from the previous year. Future production is expected to decline, however, and next year's crop could be as low as 10,000 tons.
- Copra and palm nut production are up this year, with oil production at 84,000 tons and 71,800 tons, respectively. Palm nut production could expand in the south in the future.
- Rapeseed production, at 6,006 tons, is still relatively insignificant; however, experiments with imported rapeseed have yielded promising results, and Government and trade officials foresee an increase in production in coming years, especially in nonirrigated areas of the central States.
- Corn oil production has been (and will probably continue to be) stable at about 3,500 tons annually.